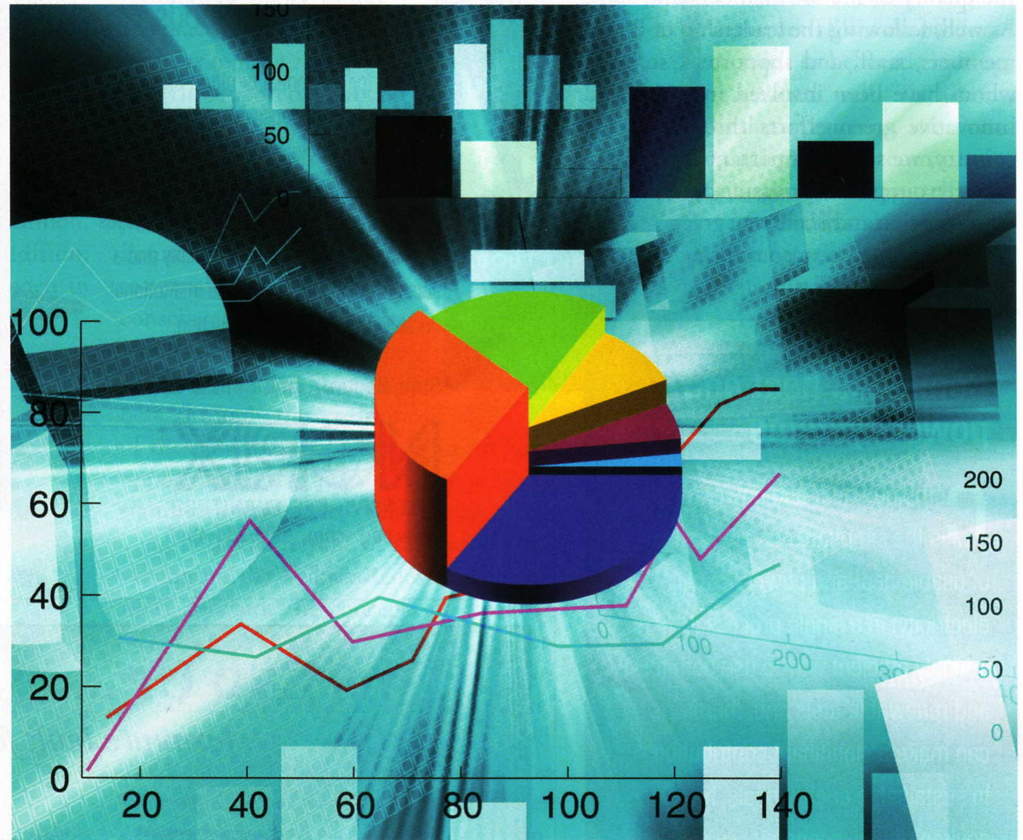
A FULLER PICTURE OF ROI

Determining an EMR's return on investment requires looking at more than just the numbers

BY CARL TURSO, MAT



Return on investment (ROI) is an important financial concept that managers of all organizations and businesses must be familiar with when planning an information technology investment such as an electronic medical record (EMR). Yet because methods for determining ROI can range from simple to complex, nonfinancial people sometimes have difficulty grasping the concept. This need not be the case.

Basically, ROI is the amount of money left over (the return) after an investment's initial cost has been repaid, usually expressed as a percentage. This basic formula works well when returns are *quantitative* and based on hard numeric data.

However, some investments may produce returns beyond what this simple formula is able to capture. For many organizations, *qualitative* ROI, which improves an organization's overall quality for clients and employees, is equally important but may be more challenging to represent with a single number.

Nevertheless, when planning a major investment such as an EMR, it is absolutely necessary to consider both qualitative and quantitative criteria in determining ROI. This approach produces a more meaningful measure of ROI for EMR projects.

Some organizations have difficulty determining their EMR project's ROI. Common reasons for this are failing to see an EMR's strategic benefits and considering the initial cost as an expense rather than as an investment. This is an unfortunate mistake.

Expenses usually are recurring short-term costs, such as for office supplies, paper, and utilities—products and services consumed relatively quickly. An EMR is an investment because it provides long-term benefits and may be an important tool for reducing the cost of expenses. An EMR is an investment because it adds value to an organization in several key ways, as EMR investments are:

- aligned with the organization's goals and mission;
- necessary for ongoing operations; and
- critical for serving clients.

IN THIS DEPARTMENT members of the Software and Technology Vendors' Association (SATVA) examine information technology trends impacting the behavioral health field. The views offered here do not necessarily reflect the official views of SATVA and its members. For more information about SATVA, visit www.satva.org.

Let's look at a few examples of how some managers have determined their EMR investment's ROI. Tim Carpenter, senior business analyst with Lutheran Social Service of Minnesota (LSSMN), provides a clear example of how his agency's EMR investment yielded a significant ROI for LSSMN's accounting department.

In the three years following LSSMN's EMR implementation, the organization's bad debt

expense decreased by almost 93%. During the same period, outstanding accounts receivable of 151 days or more were reduced from 24 to 9%. The time staff spent entering state remittances and applying payments to claims dropped from 40 hours per week to just 10 minutes with the electronic process.

An EMR investment's other benefits may be less tangible and not immediately apparent, which is why an EMR often is mistaken for an expense. With investments crucial to an organization's mission, such as an EMR, ROI can be determined more meaningfully by also considering a qualitative perspective.

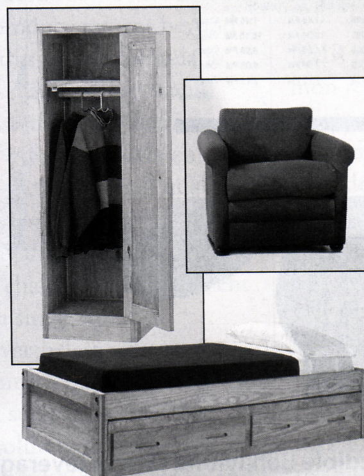
For example, replacing a paper system with an electronic system will improve work flow, helping to cut through red tape to get clients quicker access to behavioral health services. Such qualitative returns are aligned fully with the organization's mission but are difficult to express with a single number on the balance sheet. Thus, behavioral healthcare managers should define ROI within the context of their organization's mission. In addition to hard numeric data, they should include important qualitative factors when making their case for EMR implementation.

The case of Lutheran Child and Family Service of Michigan (LCFSMI) illustrates this view. Regarding LCFSMI's EMR implementation, Director of IT Eric Musum says, "We chose not to evaluate the product we selected to replace our client management system solely on a financially based assessment of ROI. Our measures of success involved the elimination of paperwork, redundant spreadsheets and databases, and having a client management system that the entire staff would use to manage information on all clients resulting in accurate, reliable billing data. To that extent the project has been a success."

The investment did allow LCFSMI to achieve tangible returns such as eliminating an accounting clerk and some clerical support positions. However, in the context of LCFSMI's goals and mission, its priority was having data readily available to allow staff to make informed decisions—a return that is difficult to quantify or represent solely in financial terms.

A broader understanding of ROI for an EMR can be beneficial to a behavioral healthcare organization where many feel their mission transcends the bottom line alone. Although financial data and hard numbers always will form the basis of assessing an investment's value, the inclusion of qualitative factors can lead to a more meaningful definition of ROI. ■

Carl Turso, MAT, is a Business Development Executive at Defran Systems, Inc., which provides clinical, case, and financial management software to human service organizations. For more information, e-mail cturso@defran.com, call (212) 727-8342, or visit www.defran.com.



SERVICE SEARCH

PAGE

EDUCATION/TRAINING PROGRAMS

3 **International University for Graduate Studies** www.iugrad.edu.kn

FURNITURE

32 **All A Board, Inc.** www.allaboardinc.com
27 **Blockhouse Contract Furniture** www.blockhouse.com
29 **Norix** www.norix.com
29 **This End Up Furniture Co.** www.thisendupcontract.com

INFORMATION TECHNOLOGY

C3 **Anasazi Software, Inc.** www.anasazisoftware.com
1 **Askesis Development Group, Inc.** www.askesis.com
31 **Credible Behavioral Healthcare Software** www.credibleinc.com
15 **DocuTrac, Inc.** www.quicdoc.com
C4 **The Echo Group** www.echoman.com
21 **InfoMC, Inc.** www.infomc.com

PAGE

9 **LWSI** www.lwsi.com/essentia
C2 **Netsmart Technologies** www.ntst.com/connectedcare
5 **Sequest Technologies, Inc.** www.sequest.net
7 **Sigmund Software** www.sigmundsoftware.com
11 **Smart Management, Inc.** www.smartmgmt.com
22 **VHA-IMCSS** www.winpims.com

INSURANCE

23 **NSM Insurance Group** www.addictiontreatmentproviders.com
6 **The Van Wagner Group** www.wagnergroup.com

STAFFING/RECRUITMENT

3 **PsychTemps/PsychPros** www.psychtemps.com
19 **Yukon-Kuskokwim Health Corporation** www.ykhc.org

This index is provided as a reader service. The publisher does not assume any liability for errors or omissions.

REQUEST PRODUCT/SERVICE INFORMATION ONLINE
To receive information about products/services advertised in this issue of *Behavioral Healthcare*, visit www.behavioral.net/readerservice.

BEHAVIORALHEALTHCARE

THE PRACTICAL RESOURCE FOR THE FIELD'S LEADERS

Cover story

GOVERNMENT

12 **Parity at last** BY DOUGLAS J. EDWARDS, EDITOR-IN-CHIEF

CHARLES VOTAW PHOTOGRAPHY

Features

GALLOP STUDIOS

INFORMATION TECHNOLOGY

18 **Going mobile** BY DAVID RATHS

EAPs

20 **Help is on the line** BY GEORGE E. HARGRAVE, PHD, ABPP; DEIRDRE HIATT, PHD; RACHAEL ALEXANDER; AND IAN A. SHAFFER, MD, MMM

FACILITY DESIGN

24 **Balancing shared and private spaces** BY MICHAEL MEEHAN, AIA, LEED AP

26 **Uniting wellness and sustainability** BY JEFFREY ARON

Departments

EDITORIAL

04 **Too big to fail** BY DOUGLAS J. EDWARDS, EDITOR-IN-CHIEF

LETTER

06 **Response to the September editorial**

TOOLS FOR TRANSFORMATION

08 **Creating good endings** BY LORI ASHCRAFT, PHD, AND WILLIAM A. ANTHONY, PHD

ADVOCACY

10 **A proposition for change** BY STEPHEN F. HUSS, PHD

VIEWS ON TECHNOLOGY

30 **A fuller picture of ROI** BY CARL TURSO, MAT

GROUP PUBLISHER
Nicole Casement
ncasement@vendomegrp.com

EDITORIAL DEPARTMENT
Director, Corporate Editorial Initiatives
Charlene Marietti
cmarietti@vendomegrp.com

Editor-in-Chief Douglas J. Edwards
dedwards@vendomegrp.com

Associate Editor Shandi Matambanadzo
smatambanadzo@vendomegrp.com

SALES
National Account Manager Cole Razzano
(212) 812-1416 • crazzano@vendomegrp.com

National Account Manager, Technology
Andrea Valerio
(212) 812-8426 • avalerio@vendomegrp.com

Pharmaceutical Sales Representative
Dave Mittman, PA, Advanced Practice Communications
(973) 865-4216 • dmittman@advancedprac.com

PRODUCTION AND WEB
Director Kathi Homenick
khomenick@vendomegrp.com

Production Assistant Mark Osen

Traffic Coordinator Judi Zeng
send artwork and IOs to jzeng@vendomegrp.com

Web Developers John Vest, Mark Lindberg

MARKETING AND CIRCULATION
Director Rachel Beneventi
(212) 812-4674 • rbeneventi@vendomegrp.com

ART DEPARTMENT
Art Director Eric E. Collander
Associate Art Director Rebecca DeNeau
Designers Suzanne Quintero, Tim Johnson

REPRINTS
For article reprints contact:
PARS International Corp.
(212) 221-9595, ext. 430
VendomeReprints@parsintl.com

CUSTOMER SERVICE/SUBSCRIPTIONS
(847) 763-9291 • Behavioral_Health@halldata.com

ADMINISTRATION
Chief Executive Officer Jane Butler
Chief Financial Officer Mike Muller
Vice-President and Managing Director Mark Fried

Behavioral Healthcare is the practical resource on technology, reimbursement, and treatment trends for managers and clinicians in the mental health and substance abuse fields. Articles and opinions published in *Behavioral Healthcare* do not necessarily reflect the views of the Editorial Board or the staff. *Behavioral Healthcare* is indexed in the National Library of Medicine's MEDLINE/PubMed database. *Behavioral Healthcare* (ISSN 1931-7093) is published monthly. Printed in U.S.A.

Copyright © 2008 by Vendome Group, LLC, 3800 Lakeside Ave., East, Suite 201, Cleveland, OH 44114. All rights reserved. *Behavioral Healthcare* is a trademark of Vendome Group, LLC. No part of *Behavioral Healthcare* may be reproduced, distributed, transmitted, displayed, published, or broadcast in any form or in any media without prior written permission of the publisher. To request permission to reuse this content in any form, including distribution in educational, professional, or promotional contexts or to reproduce material in new works, please contact the Copyright Clearance Center at info@copyright.com or (978) 750-8400. To order high-quality custom reprints of *Behavioral Healthcare* articles in quantities of 500 or more, contact PARS International Corp. at (212) 221-9595 x430, or VendomeReprints@parsintl.com.

Subscription rates: Subscriptions payable in advance in U.S. funds. Domestic, one year-12 issues, $170; two years-24 issues, $305. Canada, Mexico, and other countries, one year, $190.
Postmaster: Send changes of address to *Behavioral Healthcare*, P.O. Box 2059, Skokie, IL 60076-7959.
www.behavioral.net

VENDOME GROUP

ONLINE-EXCLUSIVE ARTICLES AT WWW.BEHAVIORAL.NET

NOVEMBER 2008 • VOL. 28, NO. 11

BEHAVIORAL HEALTHCARE

THE PRACTICAL RESOURCE FOR THE FIELD'S LEADERS

PARITY AT LAST

Years of hard work finally pay off

Creating the ideal patient room

Determining an EMR's return on investment

A proposition for change

VENDOME GROUP